

UPPER EXPLORERLAND REGIONAL  
HOUSING AUTHORITY  
POSTVILLE, IOWA

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

JUNE 30, 2013

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Upper Explorerland  
Regional Housing Authority  
Postville, Iowa

Federal Audit Clearinghouse  
Bureau of the Census  
P.O. Box 5000  
Jeffersonville, IN 47199-5000

### Report on the Financial Statements

We have audited the accompanying financial statements of Upper Explorerland Regional Housing Authority, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Upper Explorerland Regional Housing Authority as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 14 to 18 is presented for purposes of additional analysis as required by the Consolidated Audit Guide for Audits of HUD Programs issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2013, on our consideration of Upper Explorerland Regional Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Upper Explorerland Regional Housing Authority's internal control over financial reporting and compliance.



RIDIHALGH, FUELLING, SNITKER, WEBER & CO., P.C.

September 27, 2013



**Upper Explorerland Regional Housing Authority  
Management's Discussion and Analysis (MD&A)  
For the Fiscal Year Ended June 30, 2013**

The management of the Upper Explorerland Regional Housing Authority (Authority) offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. Please read this information in conjunction with the full audited financial statements and additional information that follow this narrative.

**Overview of Upper Explorerland Regional Housing Authority**

The Regional Housing Authority was created pursuant to Iowa Code Chapter 28E for the purpose of providing safe and affordable housing to low-income families in the northeast Iowa counties of Howard, Winneshiek, Allamakee, Clayton, and Fayette. The Authority receives funding from the Department of Housing and Urban Development's Housing Choice Voucher Program (HCV) to assist low-income families and individuals by subsidizing the rent on existing, privately-owned rental property. The housing assistance is paid directly to landlords on behalf of the families who are on the program. The families then pay the difference between the market rental rate charged by the landlord and the housing assistance payment provided by the program. The Authority is paid by HUD to administer program. The Authority's operations are funded almost entirely through administrative fees received from HUD. The Authority enters into an Annual Contributions Contract (ACC) each year with the Department of Housing and Urban Development to serve up to 407 families in the designated counties.

**Financial Highlights**

- The Authority's net assets decreased by \$114,108 (or 62.8%) to \$67,544 compared to the previous year end net assets of \$181,652. Unrestricted net assets decreased by \$20,663 (or 183.0%) to -\$9,373, compared to the previous year end unrestricted net assets of \$11,290.
- The total revenue for the fiscal year was \$1,215,079 a decrease of \$67,695 (or 5.28%) from last year.
- The total expenditures for the fiscal year were \$1,329,485 a decrease of \$65,522 (or 4.70%) from last year.
- The Authority's net loss from operating activities for the fiscal year was \$114,406.

The financial statements included in this report are those required for a major federal program. Among the statements included are:

- Statement of Net Assets identifying current resources and liabilities. Assets are identified as both restricted and non-restricted. Restricted net assets have constraints placed on them either externally by grantors, contributors, or laws and regulations of government.
- Statement of Revenues, Expenses, and Changes in Net Assets identifying operating revenues and expenses. Those revenues that are restricted are identified as such in the report.
- Statement of Cash Flows identifying cash from operating and investment activities.

Financial Comparison

Below is a summarized statement that compares revenue and expenditures for the current period to the period ending June 30, 2012:

REVENUES:	06/30/2013	06/30/2012	Net Change
HUD	\$1,213,342	\$1,278,758	(\$ 65,416)
Interest	\$ 34	\$ 943	(\$ 909)
Interest Income-Restricted	\$ 939	\$ 1,811	(\$ 872)
Fraud Recovery	\$ 744	\$ 621	\$ 123
Other	\$ 20	\$ 641	(\$ 621)
Total Revenue	\$1,215,079	\$1,282,774	(\$ 67,695)

## EXPENDITURES:

Admin Salaries	\$ 140,289	\$ 159,224	(\$ 18,935)
Advertising & Promotion	\$ 659	\$ 821	(\$ 162)
Auditing Fees	\$ 1,600	\$ 1,500	\$ 100
Employee Benefits Contributions	\$ 40,056	\$ 44,617	(\$ 4,561)
Other Operating-Administrative	\$ 20,889	\$ 24,734	(\$ 3,845)
Tenant Services	\$ 0	\$ 312	(\$ 312)
Utilities	\$ 1,982	\$ 2,270	(\$ 288)
Maintenance & Operation	\$ 13,036	\$ 15,433	(\$ 2,397)
Insurance	\$ 8,344	\$ 5,367	\$ 2,977
Other Expense	\$ 3,477	\$ 827	\$ 2,650
Housing Assistance Payments	\$1,099,153	\$1,139,902	(\$ 40,749)
Total Expenditures	\$1,329,485	\$1,395,007	(\$ 65,522)
Change in Net Assets	(\$ 114,406)	(\$ 112,233)	(\$ 2,173)

Below is a summarized statement that compares the consolidated balance sheets of the current period to the period ending June 30, 2012:

	<u>06/30/2013</u>	<u>06/30/2012</u>	<u>Net Change</u>
ASSETS:			
Total Assets	\$ 96,099	\$211,954	(\$115,855)
LIABILITIES:			
Total Liabilities	\$ 28,555	\$ 30,302	(\$ 1,747)
UNRESTRICTED NET ASSETS	(\$ 9,373)	\$ 11,290	(\$ 20,663)
RESTRICTED NET ASSETS	\$ 76,917	\$170,362	(\$ 93,445)
NET ASSETS	\$ 67,544	\$181,652	(\$114,108)

Inadequate HUD funding necessitated using the Authority's restricted net assets to cover program benefits and necessitated using unrestricted net assets to cover operational expenses. The substantial gap between monthly revenue and monthly expenses prompted the Authority to request higher administrative fees for calendar year 2013. The Authority's request in 2013 for the higher fees was denied. With the remaining unrestricted net assets of -\$9,373, the Authority is left with no option but continue to seek out other substantial cost-cutting measures. The Authority is simultaneously exploring other opportunities for additional revenue.

To assist with operational costs charged to the Authority, Upper Explorerland leased space to an outside tenant for most of the past fiscal year and into the fiscal year forthcoming. This reduced a portion of the utilities and maintenance costs charged to the Authority.

A consolidation of Upper Explorerland's housing departments was made in February 2013. This eliminated one full-time staff person and saved the Authority over \$20,000 in expenses during the last four months of the fiscal year ending June 30, 2013. In addition, an administrative position funded by the Authority was reduced to part-time in July 2013. This will also assist with expenditure reductions in the upcoming fiscal year. A voluntary hours reduction program was introduced and will be analyzed at year end for possible continuation. The Authority has continued a freeze on cost-of-living adjustments. The medical health plan offered to employees was recently modified to save the Authority premium costs and self-funding charges. The general liability policies of the Authority were also reviewed and changes were put in force as another step to decrease expenses in the upcoming fiscal year.

The Authority has continued to limit the number of days provided to process applications. Applications for the wait list are now taken only on Mondays. This frees up Authority staff time and allows greater efficiency in scheduling home inspections while performing distraction-free office time.

The political environment has not been favorable for funding the Authority's programs. The majority of the program and administrative funding for the Authority comes from the Department of Housing and Urban Development. Sequestration of HUD funds has reduced the number of families that can be served in the Region. The pro-ration of administrative fees to 68.5% for CY2013 has impacted the Authority immensely as well. There is continued uncertainty about future HUD funding levels. The Authority will be monitoring revenue streams and spending very closely and will correspond with HUD Financial Analysts to establish and maintain a balanced budget. The Authority remains committed to assessing all operational procedures, looking for ways to decrease the time and costs of delivering services to secure the program within its region.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
POSTVILLE, IOWA  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2013

	Total
<b>ASSETS</b>	
Cash-Unrestricted	\$ 18,842
Cash-Restricted	76,768
Account Reveivable-Fraud Recovery	298
Prepaid Asset	191
<b>TOTAL ASSETS</b>	<u>\$ 96,099</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 9,980
Deferred Revenue	18,575
<b>TOTAL LIABILITIES</b>	<u>28,555</u>
<b>NET ASSETS</b>	
Unrestricted Net Assets	(9,373)
Restricted Net Assets	76,917
<b>NET ASSETS</b>	<u>67,544</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 96,099</u>



UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
**STATEMENT OF ACTIVITIES**  
YEAR ENDED JUNE 30, 2013

		Program Receipts		Net (Expense)
		Revenues/ Charges for Services	Restricted Interest	Revenue and Changes in Net Assets Governmental Activities
Functions / Programs:	Expenses			
<b>Business Type Activities:</b>				
Administrative Salaries	\$ 140,289	70,587	-	(69,702)
Advertising/Promotion	659	332	-	(327)
Auditing Fees	1,600	805	-	(795)
Employee Benefits	40,056	20,154	-	(19,902)
Contributions-Administrative				
Other Operating-Administrative	20,889	10,510	-	(10,379)
Tenant Services	-		-	-
Utilities	1,982	997	-	(985)
Ordinary Maintenance & Operations	13,036	6,559	-	(6,477)
Insurance	8,344	4,198	-	(4,146)
Housing Assistance Payments	1,099,153	1,098,214	939	-
Other	3,477	1,750	-	(1,727)
<b>Total governmental activities</b>	<b>\$ 1,329,485</b>	<b>1,214,106</b>	<b>939</b>	<b>(114,440)</b>
<b>General Revenues (Uses):</b>				
Unrestricted interest				34
Other Income				-
<b>Change in Net Assets</b>				<b>(114,406)</b>
<b>Net assets beginning of year</b>				<b>181,652</b>
<b>Prior Period Adjustment</b>				<b>298</b>
<b>Net assets end of year</b>				<b>\$ 67,544</b>

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
 POSTVILLE, IOWA  
**PROPRIETARY FUND-STATEMENT OF FINANCIAL POSITION**  
 June 30, 2013

**ASSETS**

## Current Assets:

Cash-Unrestricted	\$ 18,842
Cash-Restricted	76,768
Account Reveivable-Fraud Recovery	298
Prepaid Asset	191
Total Current Assets	<u>96,099</u>

**TOTAL ASSETS**

\$ 96,099

**LIABILITIES**

## Current Liabilities:

Accounts Payable	\$ 9,980
Deferred Revenue	18,575
Total Current Liabilities	<u>28,555</u>

## Non-current Liabilities

Non-current Liability-Other	<u>-</u>
Total Non-current Liability	<u>-</u>

**TOTAL LIABILITIES**

28,555

**NET ASSETS**

Unrestricted Net Assets	(9,373)
Restricted Net Assets	<u>76,917</u>

**NET ASSETS**

67,544

**TOTAL LIABILITIES AND NET ASSETS**

\$ 96,099

EXHIBIT D

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
Year Ended June 30, 2013

<b>REVENUES</b>	Total
HUD	\$ 1,213,342
Interest-Unrestricted	34
Interest Income-Restricted	939
Fraud Recovery	744
Other	20
	<hr/>
TOTAL REVENUES	1,215,079
	<hr/>
<b>EXPENDITURES</b>	
Administrative Salaries	140,289
Advertising	659
Auditing Fees	1,600
Employee Benefit Contributions-	40,056
Administrative	
Other Operating-Administrative	20,889
Utilities	1,982
Ordinary Maintenance & Operations	13,036
Insurance	8,344
Housing Assistance Payments	1,099,153
Other General Expense	3,477
	<hr/>
TOTAL EXPENDITURES	1,329,485
	<hr/>
<b>CHANGE IN NET ASSETS</b>	(114,406)
<b>FUND BALANCE, beginning</b>	181,652
<b>PRIOR PERIOD ADJUSTMENT</b>	298
	<hr/>
<b>FUND BALANCE, ending</b>	\$ 67,544
	<hr/>

SEE NOTES TO FINANCIAL STATEMENTS

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
 POSTVILLE, IOWA  
**STATEMENT OF CASH FLOWS**  
 YEAR ENDED JUNE 30, 2013

**CASH FLOW FROM OPERATING ACTIVITIES**

Cash Reveived from:	
HUD	\$ 1,213,342
Other	20,311
Cash Paid to/for:	
Housing Assistance Payments	(1,099,153)
Administrative Expense	(245,292)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(110,792)</u>
<b>CASH, BEGINNING OF YEAR</b>	<u>206,402</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 95,610</u></u>

**Reconciliation of Net Income to Cash Provided  
 By (Used In) Operations:**

Net Loss	<u>\$ (114,406)</u>
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
(Increase) Decrease in Accounts Receivable	5,362
(Increase) Decrease in Prepaid Assets	(1)
Increase (Decrease) in Accounts Payable	(14,960)
Increase (Decrease) in Other Current Liabilities	13,213
Increase (Decrease) in Non-Current Liability	<u>-</u>
Total Adjustments	<u>3,614</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ (110,792)</u></u>



UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
POSTVILLE, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Upper Explorerland Regional Housing Authority (hereinafter "Authority") was organized pursuant to Chapter 28E of the Code of Iowa, to perform the duties outlined in Chapter 403A. The Authority is an agent for landlords who rent housing facilities to low income individuals with assistance from the federal government. The Authority operates in Allamakee, Clayton, Fayette, Howard and Winneshiek counties of Iowa.

Measurement Focus and Basis of Accounting

The proprietary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned. Expenses are recorded when the related fund liability is incurred.

Cash and Cash Equivalents

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Authority's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Equipment

The Authority's equipment is purchased with HUD dollars and as such is not depreciated.

Basis of Presentation

The accounts of the Authority are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Authority has the following fund:

**Proprietary Fund** – Proprietary funds are used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the government body has decided

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
POSTVILLE, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Enterprise Funds** – Used to account for the Authority’s federal and state housing assistance programs.

Authority-wide Statements-On the Statement of Financial Position, net assets are reported in two categories:

*Restricted Net Assets* result when constraints placed on net asset use are either externally imposed or imposed by law, grant or contract.

*Unrestricted Net Assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted Net Assets may have constraints on resources imposed by management or the board of directors, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program receipts are reported instead as general receipts.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CONCENTRATION OF REVENUES

The Authority receives a substantial amount of its total operating revenues from the federal government. This revenue is subject to federal government budget appropriations and potential funding reductions. A significant reduction in the level of this support would have a significant effect on the Authority’s programs and activities.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
POSTVILLE, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

**Investments Authorized by the Authority's Investment Policy**

The Authority is required to invest its funds in accordance with Iowa Statutes and HUD guidelines. The Authority does not have an investment policy with any specific provisions intended to limit their exposure to investment rate risk, credit risk and concentration of credit risk.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority had no investments at June 30, 2013.

**Concentration of Credit Risk**

The Authority does not have an investment policy regarding concentration of credit risk.

**Income Taxes**

The Housing Authority is a non-profit and not subject to income taxes.

NOTE 2 - NATURE OF OPERATIONS

The Authority operates under Section 8 of the U.S. Housing Act of 1937. Section 8 Voucher Program assistance is a rental assistance program to help very low income families afford decent, safe and sanitary rental housing. The Authority, known as a public housing agency or PHA, accepts applications for rental assistance, selects the applicant for admission and issues the selected family a rental voucher confirming the family's eligibility for assistance. The family must find a suitable dwelling unit. The Authority pays the landlord a portion of the rent, known as a housing assistance payment or HAP, on behalf of the family. The Authority enters into an annual contributions contract, or ACC, with HUD, which provides funds to administer the program.

NOTE 3 – RECEIVABLES

All accounts receivable are shown at gross amounts. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Accounts Receivable-Fraud Recovery represents the amount of agreements, net of payments already made, signed by tenants promising to pay back monies to the Authority.



UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
POSTVILLE, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 4 – EQUIPMENT ACCOUNTING

The Authority's equipment is purchased with HUD dollars and as such is not depreciated. The Authority is required to keep a list of equipment.

NOTE 5 – FRAUD RECOVERY REVENUE

Fraud recovery income shown on the Statement of Revenues, Expenses, and Changes in Net Assets for fiscal year was \$744. This was determined as follows:

Authority's Share – 50% x \$ 744	\$ 372
HUD's Share – 50% x \$ 744	<u>372</u>
	<u>\$ 744</u>

Likewise the Accounts Receivable-Fraud Recovery of \$298 was distributed 50% (\$149) to Restricted Funds and 50% (\$ 149) to Unrestricted Funds.

NOTE 6 – PENSION AND RETIREMENT BENEFITS

The Authority contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual salary and the Authority is required to contribute 8.67% of annual covered payroll to the plan. Contribution requirements are established by State statute. The Authority's contribution to IPERS for the year ended June 30, 2013 of \$12,933 is equal to the required contribution for the year.

NOTE 7 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors; and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance.



UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
POSTVILLE, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 8 – UNRESTRICTED & RESTRICTED ASSETS

The Authority had a negative \$ 9,373 in unrestricted net assets at June 30, 2013.

Unrestricted Assets consist of the following:

Unrestricted Net Assets – Administrative

Beginning Balance	\$ 11,290
Administrative Expenses in Excess of HUD Administrative Payments for Year Ended June 30, 2013	<u>(20,663)</u>

Total Unrestricted Assets – Administration	<u>\$ (9,373)</u>
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The Authority had \$ 76,917 in restricted net assets at June 30, 2013. Per HUD regulations, the restricted net assets may be expended for the housing assistance payment program only.

Restricted Net Assets – HAP

Beginning Balance	\$181,652
HAP in Excess of HUD payments	<u>(104,735)</u>

Total Restricted Assets – HAP	<u>76,917</u>
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TOTAL NET ASSETS	<u>\$ 67,544</u>
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NOTE 9 – LITIGATION

The Authority was involved in no litigation as of June 30, 2013.

NOTE 10 - SUBSEQUENT EVENTS

Housing Authority has considered subsequent events through September 27, 2013 and is not aware of any significant subsequent events that they feel need to be disclosed.

## SUPPLEMENTARY INFORMATION

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE-BUDGET AND ACTUAL**  
For the Year Ended June 30, 2013

	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES			
Commission			
HUD	\$ 1,213,342	1,225,479	(12,137)
Interest-Unrestricted	34	150	(116)
Interest-Restricted	939	900	39
Fraud Recovery	744	700	1,000
Other	20	223,235	(223,215)
TOTAL REVENUE	1,215,079	1,450,464	(234,429)
EXPENSES			
Administrative Salaries	140,289	148,300	8,011
Advertising	659		
Auditing Fees	1,600	1,600	-
Employee Benefits	40,056	47,600	7,544
Contributions-Administrative			
Other Operating-Administration	20,889	30,680	9,791
Ordinary Maintenance & Operations/Utilities	15,018	10,000	(5,018)
Insurance	8,344	5,200	(3,144)
Housing Assistance Payments	1,099,153	1,104,500	5,347
Other	3,477	1,000	(2,477)
TOTAL EXPENSES	1,329,485	1,348,880	20,054
Deficiency of Revenues over Expenditures	(114,406)	101,584	(215,990)
Fund Balance, Beginning of Year	181,652	181,652	-
Prior Period Adjustment	298	298	-
Fund Balance, End of Year	\$ 67,544	283,534	(215,990)

SCHEDULE 2

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
POSTVILLE, IOWA  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
FOR THE YEAR ENDED JUNE 30, 2013

Grantor/ Program	Direct: Department of Housing and Urban Development: Section 8 Housing Choice Vouchers
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CFDA Number	14.871
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Grant Number	IA130VOPR11 thru IA130VO0105 and IA130AF0069 thru IA130AF0078
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Federal Expenditures	\$ 1,213,342
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UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
POSTVILLE, IOWA

SUPPLEMENTARY DATA REQUIRED BY HUD  
FOR THE YEAR ENDED JUNE 30, 2013

Accounts and Notes Receivable (Other than Tenant)

Fraud Recovery - \$744

Delinquent Tenant Accounts  
Receivable

Not Applicable

Tax and Insurance  
Escrow Deposits

Not Applicable

Reserve for Replacement and  
Residual Receipt Account

Not Applicable

Accounts Payable (Other than  
Trade Creditors)

None

Accrued Taxes

None

Compensation of Officers

None

Tenant Security Deposits

Not Applicable

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
POSTVILLE, IOWA

SUPPLEMENTARY DATA REQUIRED BY HUD (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013

Funds in Financial Institutions

Funds held by FreedomBank, Postville, Iowa - June 30, 2013

#111 Operating Checking Account	\$ (2,706)
#111 Money Market Account	50,526
#113 Money Market Operating Reserve	47,049
#113 FSS Escrow-Money Market	<u>741</u>
 TOTAL CASH	 <u>\$ 95,610</u>

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
POSTVILLE, IOWA

SUPPLEMENTARY DATA REQUIRED BY HUD (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013

Computation of Surplus Cash, Distributions and Residual Receipts

HUD Form-93486 is not applicable to the Authority.

HUD Form - 92410 Statement of Profit and Loss

HUD Form-92410 is not applicable to the Authority.

Identity of Interest Companies

None

Loans and Notes Payable

None

Changes in Partnership Interest

N/A

Comments on Balance Sheet Items

None

Distributions Paid to the Partners

N/A

Unauthorized Distributions Paid to Partners

N/A

Donations, Subsidy Payments and Founder's Fees

N/A

James R. Ridihalgh, C.P.A.  
Gene L. Fuelling, C.P.A.  
Donald A. Snitker, C.P.A.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Upper Explorerland Regional Housing Authority  
Postville, IA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Upper Explorerland Regional Housing Authority, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Upper Explorerland Regional Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Upper Explorerland Regional Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Upper Explorerland Regional Housing Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Upper Explorerland Regional Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

September 27, 2013

James R. Ridihalgh, C.P.A.  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors  
Upper Explorerland Regional Housing Authority  
Postville, IA

**Report on Compliance for Each Major Federal Program**

We have audited Upper Explorerland Regional Housing Authority's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Upper Explorerland Regional Housing Authority's major federal programs for the year ended June 30, 2013. Upper Explorerland Regional Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Upper Explorerland Regional Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Upper Explorerland Regional Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Upper Explorerland Regional Housing Authority's compliance.

## Opinion on Each Major Federal Program

In our opinion, Upper Explorerland Regional Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of Upper Explorerland Regional Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Upper Explorerland Regional Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Upper Explorerland Regional Housing Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

*A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

September 27, 2013



UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
POSTVILLE, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statement.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No reportable conditions in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.871 – Housing Choice Vouchers.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Upper Explorerland Regional Housing Authority did qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

No instances of non-compliance were noted.

Part III: Findings and Questioned Cost for Federal Awards:

No findings or questioned costs for federal awards were noted.



UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
POSTVILLE, IOWA

AUDITOR'S COMMENTS ON AUDIT RESOLUTION MATTERS  
RELATING TO THE HUD PROGRAMS  
YEAR ENDED JUNE 30, 2013

There are no prior findings on which the Authority should take corrective action.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
POSTVILLE, IOWA

Audit was performed by:

Donald A. Snitker, CPA, Partner

James Remington, Staff

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42-1042703

OFFICER'S CERTIFICATE

We hereby certify that we have examined the accompanying financial statements and supplementary data of Upper Explorerland Regional Housing Authority and, to the best of our knowledge and belief, they are complete and accurate.

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